

**PONTIAC HOUSING COMMISSION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Pontiac Housing Commission	County Oakland
Fiscal Year End March 31, 2006	Opinion Date December 21, 2006	Date Audit Report Submitted to State May 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

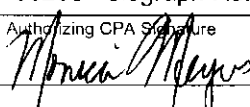
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

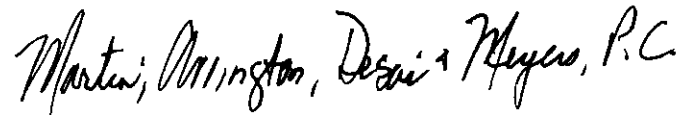
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Martin, Arrington, Desai & Meyers		Telephone Number 248-645-5370		
Street Address 30200 Telegraph Rd., Suite 444		City Bingham Farms	State MI	Zip 48025
Authorizing CPA Signature 		Printed Name Monica Meyers		License Number 1101025642

To The Department of Housing and
Urban Development

Attached is the financial report of the Pontiac Housing Commission for the year ended
March 31, 2006.



Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

December 21, 2006

Employer Identification No: 38-2071689

Engagement Partner: Ms. Monica Meyers
30200 Telegraph, Suite 444
Bingham Farms, MI 48025
(248) 645-5370

PONTIAC HOUSING COMMISSION
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Statement of Net Assets	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	8
SUPPLEMENTARY DATA	
Financial Data Schedule	14
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance With <i>Government Auditing Standards</i>	19
Report on Compliance with Requirements Applicable to Each Major Program And Internal Control Over Compliance in Accordance with OMB A-133	21
Schedule of Expenditures of Federal Awards	24
Summary of Auditor Results	26
Schedule of Prior Audit Findings	28

INDEPENDENT AUDITOR'S REPORT

December 21, 2006

Board of Commissioners
Pontiac Housing Commission
Pontiac, Michigan

Department of Housing &
Urban Development
Office of Public Housing
Detroit, Michigan

We have audited the accompanying general purpose financial statements of the Pontiac Housing Commission, as of and for the year ended March 31, 2006. These general purpose financial statements are the responsibility of the Pontiac Housing Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

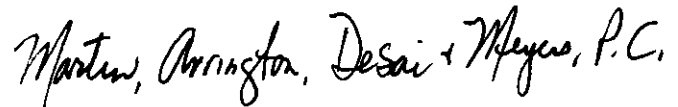
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements, referred to above, present fairly, in all material respects, the financial position of the Pontiac Housing Commission, as of March 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006 on our consideration of the Pontiac Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements and others. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Financial Data Schedule and Schedule of Expenditures of Federal Awards as required by the Department of Housing and Urban Development and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Pontiac Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants

**PONTIAC HOUSING COMMISSION
STATEMENT OF NET ASSETS
MARCH 31, 2006**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,594,115
Investments	100,659
Prepaid Expenses	84,572
Accounts Receivable - Miscellaneous	224,780
Accounts Receivable - Tenants, net	6,084
Accounts Receivable - HUD	393,478
Interprogram Due From	348,985
Inventories, net	<u>22,115</u>
Total current assets	3,774,788

Noncurrent Assets:

Capital assets:	
Land	1,753,492
Buildings	16,204,932
Furniture, Equipment - Dwellings	309,830
Furniture, Equipment - Administration	854,281
Accumulated Depreciation	<u>(13,152,672)</u>
Capital Assets, net	5,969,863
Other Assets	<u>65,221</u>
Total Assets	<u><u>\$ 9,809,872</u></u>

The accompanying notes are an integral part of this statement

**PONTIAC HOUSING COMMISSION
STATEMENT OF NET ASSETS
MARCH 31, 2006**

LIABILITIES

Current Liabilities:	Accounts payable	\$ 378,671
	Accounts payable - other government	81,981
	Accrued wage/payroll taxes payable	50,755
	Accrued compensated absences	42,111
	Tenant security deposits	57,111
	Deferred revenue	7,824
	Interprogram Due	348,985
	Other current liabilities	236
	Total current liabilities	<u>967,674</u>
Non Current Liabilities	Non current liabilities - other	
	Accrued compensated absences - non current	<u>180,547</u>
	Total Non Current Liabilities	<u>180,547</u>
	Total Liabilities	<u>1,148,221</u>
NET ASSETS	Investment in Capital Assets, Net of related debt	5,969,863
	Unrestricted Net Assets	<u>2,691,788</u>
	Total Net Assets	<u>8,661,651</u>
	Total Liabilities and Net Assets	<u><u>\$ 9,809,872</u></u>

The accompanying notes are an integral part of this statement

**PONTIAC HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006**

OPERATING REVENUES:

Net Tenant Rental Revenue	\$ 711,281
HUD PHA Operating Grants	6,909,232
Miscellaneous	<u>73,154</u>
Total operating revenues	<u>7,693,667</u>

OPERATING EXPENSES:

Administrative	1,871,373
Tenant services	46,589
Utilities	543,466
Maintenance	608,958
Protective services	132,952
General expenses	218,115
Housing assistance payments	4,550,385
Depreciation	<u>698,625</u>
Total operating expenses	<u>8,670,463</u>
Operating income (loss)	<u>(976,796)</u>

NONOPERATING REVENUES

Interest and investment revenue	<u>63,309</u>
Net income (Loss)	<u>(913,487)</u>

Capital Grants	1,180,080
Change in net assets	<u>266,593</u>

TOTAL NET ASSETS - Beginning	11,737,474
Prior Period Adjustment	<u>(3,342,416)</u>
TOTAL NET ASSETS - Ending	<u><u>\$ 8,661,651</u></u>

The accompanying notes are an integral part of this statement

**PONTIAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS
MARCH 31. 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$ 677,995
Operating grants received	7,279,604
Other operating cash receipts	73,154
Cash received from security deposits	4,626
Cash paid for operating expenditures	(6,662,343)
Cash paid to employees for services	<u>(1,551,748)</u>

Net cash used for operating activities	<u>(178,712)</u>
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**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(838,552)
Capital Grants Received	<u>1,180,080</u>
Net cash provided by capital and related financing activities	<u>341,528</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	1,000,000
Interest Income	<u>63,309</u>

Net cash provided by investing activities	1,063,309
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Net increase (decrease) in Cash and cash equivalents	<u>1,226,125</u>
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Beginning of period cash	<u>1,367,990</u>
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End of period cash	<u><u>\$ 2,594,115</u></u>
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The accompanying notes are an integral part of this statement

**PONTIAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS
MARCH 31, 2006**

Reconciliation of change in net assets to net cash provided by operating activities:

Decrease in net assets	\$ 266,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	698,625
Capital Grants	(1,180,080)
Interest Income	(63,309)
Changes in Operating Assets and Liabilities:	
Receivables - Miscellaneous	(29,702)
Tenant accounts receivable	(3,584)
Receivables - HUD	362,548
Prepays	110,480
Inventory	(3,200)
Other assets	(51,758)
Accounts payable	(12,969)
Accounts payable - other governments	81,981
Accrued wage/payroll taxes payable	(79,451)
Accrued compensated absences	32,519
Accounts Payable - HUD	(320,091)
Tenant security deposits	4,626
Deferred revenues	7,824
Other current liabilities	236
	<hr/>
Total adjustments	(445,305)
	<hr/>
Net cash used for operating activities	\$ (178,712)
	<hr/>

The accompanying notes are an integral part of this statement

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity -

The Pontiac Housing Commission (“Commission”) was created by ordinance of the city of Pontiac. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following at March 31, 2006:

MI 5-1	Low Rent Program	430 units
MI 28-V005	Section 8 Vouchers	768 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. Sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component unit exists.

These criteria were considered in determining the reporting entity.

Basis of Presentation –

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting –

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgetary data –

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets –

Deposits and Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at market value.

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash Equivalents

Cash equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Inventory

Inventory is valued at the lower of cost (First in, first out) or market. Inventory consist of expendable supplies held for consumption. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All propriety funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expenses against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Building and Improvements	27.5 years
Equipment	3 – 10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees’ termination or retirement.

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 2 – CASH AND INVESTMENTS

The composition of cash and investments is as follows:

Cash:	
General Fund Checking Account	\$2,440,680
Money Market Savings	152,935
Petty Cash	<u>500</u>
	2,594,115
Investment – Certificate of Deposit	<u>100,659</u>
	<u>\$2,694,774</u>

All Commission cash and time deposits are unrestricted. All investments are in money market accounts.

NOTE 3 – LAND, STRUCTURES AND EQUIPMENT

Development, Modernization and Land, Structures and Equipment balances at March 31, 2006 consisted of the following:

	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 1,753,492	\$ 0	\$ 0	\$ 1,753,492
Buildings	22,877,082	1,066,652	7,738,802	16,204,932
Furniture & Equipment – Dwellings	374,160		64,330	309,830
Furniture & Equipment – Admin	<u>908,111</u>		<u>53,830</u>	<u>854,281</u>
	25,912,845	1,066,652	7,856,962	19,122,535
Less: Accumulated Depreciation	<u>16,740,993</u>	<u>698,625</u>	<u>4,286,446</u>	<u>13,152,672</u>
Total Land, Structures, And Equipment	<u>\$ 9,171,852</u>	<u>\$ 368,027</u>	<u>\$3,570,516</u>	<u>\$ 5,969,863</u>

The PHA capitalizes items costing at least \$500 with a life of more than one year.

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 4 – RETIREMENT PLAN

The Commission provides a pension benefits plan for all its full time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to participate from the date of employment. The Commission contributes an amount equal to 3% of the employee's base salary each month while the employees may not contribute. The Commission's contributions for each employee are vested in varying increments based upon union agreements. Commission contributions for, and interest forfeited by, employees who leave employment are used to reduce the Commission's current-period contribution requirement.

The Pension Plan is the City of Pontiac Employees Retirement System which includes the General City (including Commission employees) and the Stadium Authority. Since the Commission employees are not separated from others, therefore Actuarial Accrued Liability and Annual Required Contributions data have not been presented; further information can be obtained from the City of Pontiac Employees' Retirement System Annual Report for the period ended December 31, 2002.

NOTE 5 – ECONOMIC DEPENDENCY

The Commission receives the majority of the funds used for housing projects from the U. S. Department of Housing and Urban Development.

NOTE 6 – RISK MANAGEMENT

In the normal course of business, the Pontiac Housing Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

NOTE 7 – GRANTS

The Commission participates in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Commission has not complied with the rules and regulations governing, refunds of any money received may be required and the collectibility of any related receivable at March 31, 2006 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in

PONTIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 7 – GRANTS – Continued

the accompanying general purpose financial statements for such contingencies. The Commission is subject to possible examination by Federal authorities that determine compliance with terms, conditions, laws and regulations governing grants given to the Commission in the current and prior years.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

During the year the Pontiac Housing Commission recorded a prior period adjustment in the amount of \$3,342,416. The Lakeside Apartment Complex was demolished in the prior year, resulting in an adjustment of \$3,368,202. Various HUD adjustments resulted in an adjustment of \$25,786.

Net Assets Beginning Balance – 3/31/05	\$11,737,474
Lakeside Demolition	(3,368,202)
HUD Receivable Adjustment	<u>25,786</u>
Restated Beginning Net Assets	<u>\$ 8,395,058</u>

PONTIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
MARCH 31, 2006

Financial Data Schedule - Balance Sheet

Line Item #	Account Description	Low Rent 14.8504	Housing Choice Voucher 14.871	CPF 14.872	TOTAL
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	1,351,798	1,220,205	22,112	2,594,115
112	Cash - restricted - modernization and development				-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
115	Cash - restricted for payment of current liability				-
100	Total cash	1,351,798	1,220,205	22,112	2,594,115
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects			393,478	393,478
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	206,608	18,172		224,780
126	Accounts receivable- tenants - dwelling rents	12,169			12,169
126.1	Allowance for doubtful accounts - dwelling rents	(6,085)			(6,085)
126.2	Allowance for doubtful accounts - other				-
127	Notes, loans & mortgages receivable - current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful accounts	212,692	18,172	393,478	624,342
	Current investments				
131	Investments - unrestricted	100,659			100,659
132	Investments - restricted				-
135	Investments - restricted for payment of current liability				-
142	Prepaid expenses and other assets	80,190	4,382		84,572
143	Inventories	22,338			22,338
143.1	Allowance for obsolete inventories	(223)			(223)
144	Interprogram - due from	258,563	90,422		348,985
145	Assets held for sale				-
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	2,026,017	1,333,181	415,590	3,774,788
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	1,753,492			1,753,492
162	Buildings	14,341,791		1,863,141	16,204,932
163	Furniture, equipment & machinery - dwellings	276,554		33,276	309,830
164	Furniture, equipment & machinery - administration	794,128	26,561	33,592	854,281
165	Leasehold improvements				-
168	Infrastructure				-
166	Accumulated depreciation	(13,066,046)	(20,021)	(66,605)	(13,152,672)
167	Construction in progress				-
160	Total fixed assets, net of accumulated depreciation	4,099,919	6,540	1,863,404	5,969,863
	Other Non Current Assets				
171	Notes, loans & mortgages receivable - non current				-
172	Notes, loans & mortgages receivable - non current -past due				-
173	Grants Receivable - non current				-
174	Other assets	65,221			65,221
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	4,165,140	6,540	1,863,404	6,035,084
190	TOTAL ASSETS	6,191,157	1,339,721	2,278,994	9,809,872
	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	Current Liabilities				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	252,036	60,030	66,605	378,671

PONTIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
MARCH 31, 2006

Financial Data Schedule - Balance Sheet

Line Item #	Account Description	Low Rent 14,850	Housing Choice Voucher 14,871	CEP 14,872	TOTAL
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	42,969	7,786		50,755
322	Accrued compensated absences - current portion	37,315	4,796		42,111
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs				-
332	Accounts Payable - PHA Projects				-
333	Accounts payable - other government				-
341	Tenant security deposits	57,111			57,111
342	Deferred revenues	7,824			7,824
343	Current portion of Long-Term debt - capital projects/mortgage revenue bonds				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	236			236
346	Accrued liabilities - other	81,981			81,981
347	Inter-program - due to			348,985	348,985
348	Loan Liability - current				-
310	TOTAL CURRENT LIABILITIES	479,472	72,612	415,590	967,674
	Non Current Liabilities				
351	Long-term debt, net of current- capital projects/ mortgage revenue bonds				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other				-
354	Accrued Compensated Absences - non current	140,889	39,658		180,547
355	Loan Liability - non current				-
350	TOTAL NONCURRENT LIABILITIES	140,889	39,658	-	180,547
300	TOTAL LIABILITIES	620,361	112,270	415,590	1,148,221
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)				-
503	Long-term debt - HUD guaranteed				-
504	Net HUD PHA contributions				-
505	Other HUD contributions				-
507	Other contributions				-
508	Total contributed capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	4,099,919	6,540	1,863,404	5,969,863
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
511.1	Restricted Net Assets	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	1,470,877	1,220,911	-	2,691,788
513	TOTAL EQUITY/NET ASSETS	5,570,796	1,227,451	1,863,404	8,661,651
600	TOTAL LIABILITIES and EQUITY/NET ASSETS	6,191,157	1,339,721	2,278,994	9,809,872

PONTIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006

Financial Data Schedule - Revenue & Expenses

Account Description		Low Rent 14,850a	Housing Choice Voucher 14,871	CRP 14,872	TOTAL
REVENUE:					
703	Net tenant rental revenue	711,281			711,281
704	Tenant revenue - other				-
705	Total tenant revenue	711,281	-	-	711,281
706	HUD PHA operating grants	1,047,920	5,493,534	367,778	6,909,232
706.1	Capital Grants			1,180,080	1,180,080
708	Other government grants				-
711	Investment income - unrestricted	43,578	19,731		63,309
712	Mortgage interest income				-
713	Proceeds from disposition of assets held for sale				-
713.1	Cost of sale of assets				-
714	Fraud recovery				-
715	Other revenue	73,154			73,154
716	Gain or loss on the sale of fixed assets				-
720	Investment income - restricted				-
700	TOTAL REVENUE	1,875,933	5,513,265	1,547,858	8,937,056
EXPENSES:					
Administrative					
911	Administrative salaries	603,231	241,254	93,432	937,917
912	Auditing fees	9,050			9,050
913	Outside management fees				-
914	Compensated absences	37,315	4,796		42,111
915	Employee benefit contributions- administrative	212,943	74,300		287,243
916	Other operating- administrative	277,192	43,513	274,347	595,052
	Subtotal	1,139,731	363,863	367,779	1,871,373
Tenant services					
921	Tenant services - salaries	40,769			40,769
922	Relocation costs				-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	5,820			5,820
	Subtotal	46,589			46,589
Utilities					
931	Water	88,718			88,718
932	Electricity	163,522			163,522
933	Gas	291,226			291,226
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense				-
	Subtotal	543,466	-	-	543,466
Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	78,274			78,274
942	Ordinary maintenance and operations - materials & other	76,683			76,683
943	Ordinary maintenance and operations - contract costs	427,682			427,682
945	Employee benefit contributions- ordinary maintenance	26,319			26,319
	Subtotal	608,958			608,958
Protective services					
951	Protective services - labor	132,952			132,952
952	Protective services- other contract costs				-

PONTIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006

Financial Data Schedule - Revenue & Expenses

Account Description		Low Rent 14,850a	Housing Choice Voucher 14,871	CFP 14,872	TOTAL
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	Subtotal	132,952	-	-	132,952
	General expenses				
961	Insurance premiums	194,009			194,009
962	Other General Expenses				-
963	Payments in lieu of taxes				-
964	Bad debt - tenant rents	24,106			24,106
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense				-
968	Severance expense				-
	Subtotal	218,115	-	-	218,115
969	TOTAL OPERATING EXPENSES	2,689,811	363,863	367,779	3,421,453
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(813,878)	5,149,402	1,180,079	5,515,603
971	Extraordinary maintenance				-
972	Casualty losses - non-capitalized				-
973	Housing assistance payments		4,550,385		4,550,385
974	Depreciation expense	663,491	1,034	34,100	698,625
975	Fraud losses				-
976	Capital outlays- governmental funds				-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	TOTAL EXPENSES	3,353,302	4,915,282	401,879	8,670,463
	OTHER FINANCING SOURCES (USES)				
1001	Operating transfers in				-
1002	Operating transfers out				-
1003	Operating transfers from/to primary government				-
1004	Prior Period Adjustments, Equity/Net Assets				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1007	Extraordinary Items (net gain/loss)				-
1008	Special Items (net gain/loss)				-
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL	(1,477,369)	597,983	1,145,979	266,593
MEMO account information					
1101	Capital contributions				-
1102	Debt principal payments- enterprise funds				-
1103	Beginning equity	10,429,949	278,514	1,029,011	11,737,474
1104	Prior period adjustments, equity transfers and correction of errors	(3,381,784)	350,954	(311,586)	(3,342,416)
1105	Changes in compensated absence liability balance (in the GLTDAG)				-
1106	Changes in contingent liability balance (in the GLTDAG)				-
1107	Changes in unrecognized pension transition liability (in the GLTDAG)				-
1108	Changes in special term/severance benefits liability (in the GLTDAG)				-

PONTIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006

Financial Data Schedule - Revenue & Expenses

Account Description		Low Rent 14.850a	Housing Choice Voucher 14.871	CFP 14.872	TOTAL
1109	Changes in allowance for doubtful accounts - dwelling rents				-
1110	Changes in allowance for doubtful accounts - other				-
1112	Depreciation "add back"				-
1113	Maximum annual contributions commitment (per ACC)		4,098,394		4,098,394
1114	Prorata maximum annual contributions applicable to a period of less than twelve months				-
1115	Contingency reserve, ACC program reserve		283,008		283,008
1116	Total annual contributions available		4,381,402		4,381,402
1120	Unit months available	5,172	9,216		14,388
1121	Number of unit months leased	3,695	7,230		10,925

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 21, 2006

Board of Commissioners
Pontiac Housing Commission
Highland Park, Michigan

Department of Housing &
Urban Development
Office of Public Housing
Detroit, Michigan

We have audited the financial statements of the Pontiac Housing Commission as of and for the year ended March 31, 2006 and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

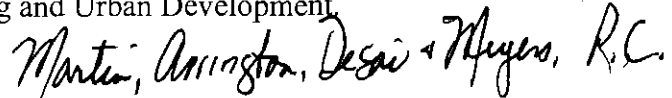
In planning and performing our audit, we considered the Pontiac Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pontiac Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "*Government Auditing Standards*".

We noted certain matters that we reported to management of the Pontiac Housing Commission in a separate letter dated December 21, 2006.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development.



Martin, Arrington, Desai & Meyers, P. C.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 21, 2006

Board of Commissioners
Pontiac Housing Commission
Highland Park, Michigan

Department of Housing &
Urban Development
Office of Public Housing
Detroit, Michigan

Compliance

We have audited the compliance of the Pontiac Housing Commission with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Pontiac Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pontiac Housing Commission's management. Our responsibility is to express an opinion on Pontiac Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis,

evidence about Pontiac Housing Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Pontiac Housing Commission's compliance with those requirements.

In our opinion, Pontiac Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 1 and 2.

Internal Control Over Compliance

The management of the Pontiac Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Pontiac Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Pontiac Housing Commission as of and for the year ended March 31, 2006, and have issued our report thereon dated December 21, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development.

A handwritten signature in black ink that reads "Martin, Arrington, Desai & Meyers, P.C." in a cursive, flowing script.

Martin, Arrington, Desai & Meyers, P. C.
Certified Public Accountants

**PONTIAC HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2006**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA/AGENCY NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Major Programs:		
<u>Department of Housing and Urban Development</u>		
Low Rent Public Housing	14.850a	\$ 1,047,920
Housing Choice Vouchers	14.871	5,493,534
Capital Fund Program	14.872	<u>1,547,858</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 8,089,312</u>

PONTIAC HOUSING COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Pontiac Housing Commission and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**PONTIAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2006**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Pontiac Housing Commission.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Pontiac Housing Commission were disclosed during the audit.
4. No reportable conditions or material weaknesses relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the Pontiac Housing Commission expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Pontiac Housing Commission are reported in this schedule.
7. The programs tested as major programs included:

<u>Programs</u>	<u>C.F.D.A./ Agency Number</u>
a. Low Rent Public Housing	14.850a
b. Housing Choice Vouchers	14.871
b. Public Housing Capital Fund Program	14.872

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Pontiac Housing Commission was determined to be a high-risk auditee.

FINDING – FINANCIAL STATEMENTS AUDIT

None

**PONTIAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2006**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING 1 – Section 8, CFDA 14.871 and Low Rent Public Housing, CFDA 14.850a

Statement of Condition: Tenant rent payments calculated incorrectly using the net income for Social Security.

Criteria: Rent payments are calculated using the gross income for Social Security.

Cause of Condition: Procedures in place to ensure that rent is calculated correctly were not followed.

Recommendation: The responsible employee should be reminded of the procedures in place to ensure correct calculation of tenant's rent.

FINDING 2 - – Section 8, CFDA 14.871 and Low Rent Public Housing, CFDA 14.850a

Statement of Condition: Certain documents required to be maintained in the tenant files were missing.

Criteria: Each tenant file must contain specific forms to substantiate eligibility.

Cause of Condition: Procedures in place to ensure that tenant files contain the required forms to determine eligibility.

Recommendation: The responsible employee should be reminded of the procedures in place to ensure proper tenant file maintenance.

**PONTIAC HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2006**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING NO. 1 –

Condition: Part of the payroll is prepared by the Pontiac Housing Commission and part by the City of Pontiac.

Recommendation: The Pontiac Housing Commission should process its own payroll.

Current Status: The Pontiac Housing Commission keeps detailed payroll records when submitting their payroll to the City of Pontiac. Finding cleared.

FINDING NO. 2 –

Condition: No detail for fixed asset costs.

Recommendation: The Pontiac Housing Commission should have all assets appraised by an outside party.

Current Status: The Pontiac Housing Commission is in the process of writing off obsolete and demolished property and equipment.

PONTIAC HOUSING COMMISSION

MANAGEMENT LETTER

MARCH 31, 2006

Martin, Arrington, Desai, & Meyers, P.C.

Certified Public Accountants and Consultants

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SUITE 444
BINGHAM FARMS, MICHIGAN 48025
248.645.5370
FAX 248.645.5020

1010 FORD BUILDING
615 GRISWOLD
DETROIT, MICHIGAN 48226
313.964.1370

March 12, 2007

Board of Directors
Pontiac Housing Commission
Pontiac, Michigan

In planning and performing our audit of the financial statements of Pontiac Housing Commission for the year ended March 31, 2006, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organization's internal control in our report dated December 21, 2006 for a financial and compliance audit. This letter does not affect our report dated December 21, 2006 on the financial statements of Pontiac Housing Commission.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Payroll

The Housing Commission is indebted to the City of Pontiac for salaries and wages paid on the Commission's behalf for several years. It is our understanding that the payment of the liability is dependent on the City billing the Commission. And, since the City of Pontiac has failed to submit the billings for the salaries and wages costs, the Commission has not paid the liability.

It is our recommendation that the PHC immediately pay the City the balance due for the salaries and wages paid by the City. It is sound and prudent business practice to pay liabilities incurred and paid by others. Also, considering the fact that these costs may have been reimbursed by HUD and other Grantors to the Commission further compounds the issue. We recommended that payroll be paid on time regardless of whether a bill is received from the City. The Commission can pay the City based on payroll registers

received directly from the City that details the amounts paid to Commission employees. The Commission uses the payroll register to record salary data into the financial ledgers.

Fixed Assets

The client's supporting subsidiary fixed assets schedule does not agree to the amount reported in the control Fixed Asset trial balance. This has been an ongoing problem for many years.

It is our understanding that the demolition of the Lakeside complex was not recorded and reported correctly in prior years and is the major cause of the differences. Adjustments for the Lakeside complex were made during the audit period. Also, an error was made recording depreciation expense during the prior year and was corrected this year.

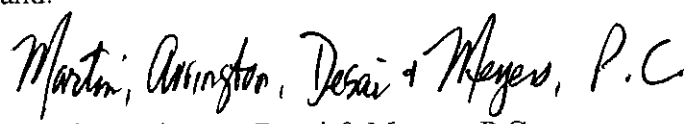
The fixed assets subsidiary schedules should agree to the amount reported on the trial balance control account. Any differences should be identified, investigated, and corrected before the year ends and before the audit is to begin. This may require the client to review all postings to the control accounts in the general ledger as well as verifying amounts reported on the subsidiary schedule. The control and subsidiary fixed asset listing should be reconciled monthly to ensure agreement

Third Party Reporting (REAC)

Several reports are sent to HUD and other agencies by PHC. These reports (FDS) are based on the accounting information generated by the Commission directly from the financial records such as the trial balances, general ledgers and subsidiary schedules, etc.

During the audit period, we experienced difficulty in agreeing the FDS reports to the records of the Commission. Many of the differences were due to adjustments made in the prior year and not reported in the FDS. As noted earlier, the adjustments are problematic and in most cases complex.

Nevertheless, it is the Commission's responsibility to provide adequate audit trails, which are reasonably easy to follow, and which agree to the amounts reported to the Grantor. Audit trails may consist of a myriad of documents, schedules and records. The trail should not be difficult to follow and understand.


Martin, Arrington, Desai & Meyers, P.C.
Certified Public Accountants